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Ageing • Distribution • Welfare

## The politics of population ageing

John MacInnes & Jeroen Spijker - 08 January 2014

**The fear that dependent older people represent a great demographic challenge for the welfare state is misconceived. Welfare spending would therefore be better directed towards the young**

A century ago in Europe, children outnumbered the elderly by up to ten to one. Today about one in six people in the UK are aged over 65: slightly more than the number of children. Falling birth and infant mortality rates caused this growth until the Second World War, but now rising older age life expectancy is important.

This 'population ageing' worries policymakers because they assume it will strain health, welfare and social insurance systems. Eighty years ago the intellectual architect of the Scandinavian welfare state, Alva Myrdal, argued that democracies have a bias towards the old because voters are no longer young, but all hope to be, or already are, 'old'. Compare the policy attention devoted to child and pensioner poverty. Low interest rates and inflation are seen as undermining the savings of the elderly. Poor children are just the fault of feckless parents. 'Austerity' economics

combined with population ageing fears are driving calls to shrink the welfare state. State pension ages are being pushed up, and rules of entitlement redrawn. However population ageing is largely a myth. No growing grey army of dependent elderly is set to overwhelm the welfare state.

The metaphor of 'ageing' is misconceived for a very simple reason. Individuals are born, grow old and die. Populations do none of these things. What does change is the distribution of ages. Longer lives increase the average age of the population, but this process has been underway for two centuries as better public health (clean water, better diet) improved medical knowledge and technology (the conquest of the killer diseases of infancy) and better education have doubled life expectancy at birth.

Unlike individuals, populations can, and do, get younger and older at the same time. Age has two components: the number of years any person has lived, and the number of years a person has left to live (unknown for individuals but precisely predictable for populations). As mortality declines, remaining life expectancy (RLE) at any age increases. 65 year old women in the UK had an average life expectancy of 14 years in 1950 but today can expect to live another 21 years (12 and 18 years respectively for men). Measured by average years left the UK population today is probably the youngest it has ever been. It is three years 'younger' now that it was in 1840, despite a doubling in the average years lived (age) of the population (from 21 to 41 years).

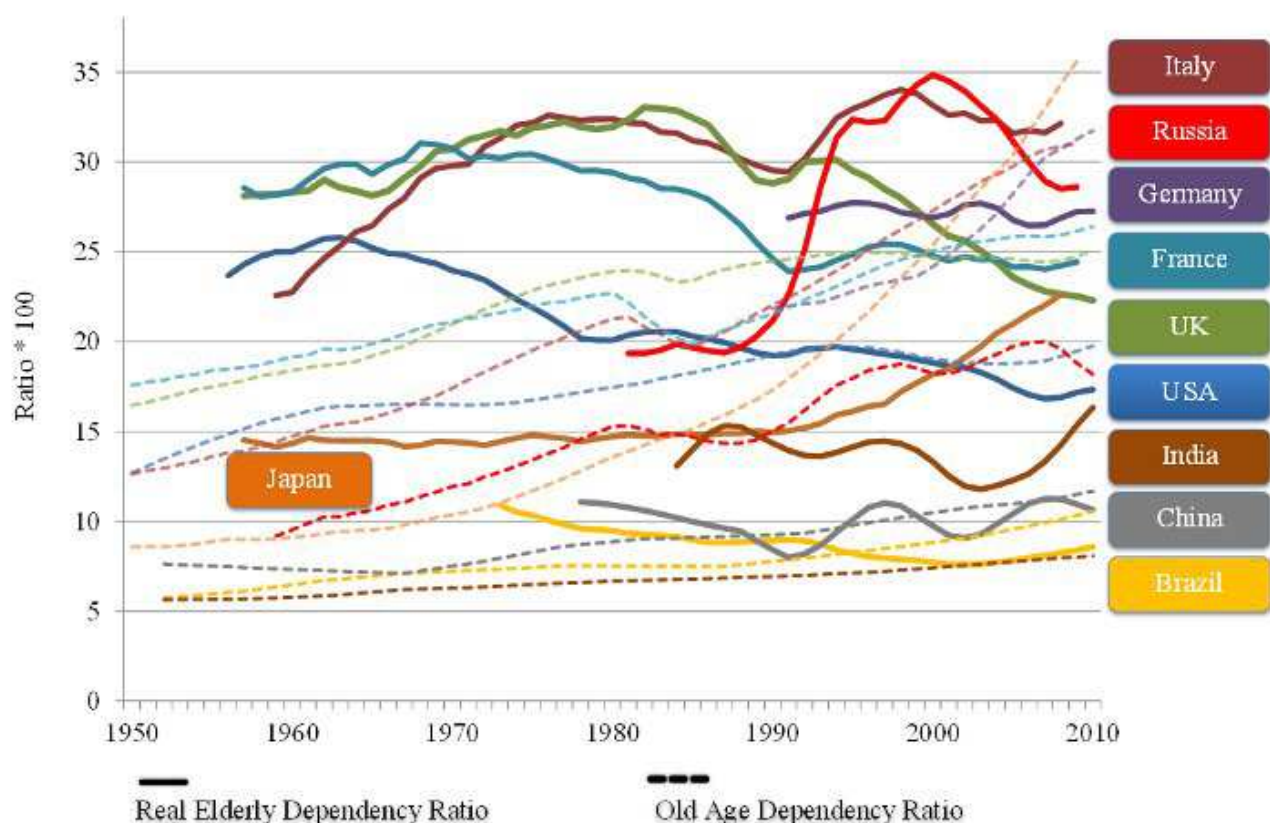
This increase in RLE is crucial because many behaviours

and attitudes are more strongly linked to that than to age. Most acute health care (hospital treatment) costs are incurred at the very end of a person's life, irrespective of their age. Population ageing has no direct impact. The pattern for social and long term care costs turns on what is happening to morbidity. Improvements in public health (especially the increase in levels of education and decline of smoking) are driving down age specific disability and morbidity rates: people are staying healthier longer. We do not know clearly (because consistent longitudinal data are scarce) whether the rise in life expectancy is pulling up the absolute average time older people spend in care or with chronic health conditions. However we can say one thing with certainty: as life expectancies increase it is systematically misleading to assume that tomorrow's 65 or 80 years olds will have the same health profile as today's. As RLE increases, people of the same age get 'younger': people with the same years lived as their counterparts in earlier cohorts, have more years left. Paradoxically popular jargon understands this very well: '50 is the new 40'.

The standard indicator of population ageing is the Old Age Dependency Ratio (OADR). It takes those aged 65+ and divides by the number of working age (16/20-64 years). It is not fit for purpose. Most people aged 65+ are not 'dependent'. A million are employed (three times the number in care or nursing homes). Grandparents are the most important source of childcare after parents themselves. Many do voluntary work. Their consumer power is large and growing. It makes little sense to count everyone of working age when we can count those actually working. In fact, there

are more 'working age' dependents - people not at work - (9.5 million) than there are people of state pension age in Britain.

We therefore recently proposed an alternative measure, the Real Elderly Dependency Ratio (REDR), which counts men and women with a RLE of  $\leq 15$  years divided by the number employment, irrespective of their age. In contrast to the inexorable rise of the OADR, we find that the REDR has fallen over recent decades in affluent countries, has stabilized now and is likely to increase only slowly over the next couple of decades.



The different story of population ageing told by the REDR has several important implications. The first is that population ageing is no excuse for trimming the welfare

state or arguing that pension arrangements are unsustainable. When the state pension age was lowered to 65 in 1928 the UK output per capita was one quarter of today's level. Over the last 130 years average annual working hours have halved. Thus the only barrier to letting the proportion of people's lives spent in retirement rise, or to sustaining or growing the welfare state, is political imagination and courage.

Too often the social sciences pose solutions to yesterday's problems. The classic studies of [Charles Booth](#) and [Seebohm Rowntree](#) created the conviction that old age created poverty. This is no longer the case. The poor who are old now were almost all poor when they were young. [The efforts of the welfare state are therefore better directed towards children and young people](#). Of particular importance is avoiding high youth unemployment. It is exceedingly difficult to recover from a bad start to a labour market career. What economists refer to as 'scarring' can last a lifetime. Perhaps the worst aspect of current European 'austerity' policies has been this effect on young people.

This takes us back to Alva Myrdal. Will an older population necessarily be a more conservative one? Here too the evidence is more mixed than we might assume. [Research by Ipsos Mori](#) suggests that the relationship between age and voting has weakened dramatically. Older voters are not mostly Tories. On some social attitudes, such as support for the principle of a free NHS for all, support is flat over time, by age and across generations. If we look at attitudes to homosexuality, which have changed rapidly over the last

thirty years, we find that although each successive generation has more liberal views, people have become actually become more liberal as they get older. Thus just as population ageing poses few economic problems, the notion that ageing societies will be less liberal, innovative or flexible has little empirical support. Longer lives have been perhaps the greatest achievement of the twentieth century. They pose no threat to the economic social and political well being of the twenty first.

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This is a contribution to Policy Network's work on The new age of distributional conflict.

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